
RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of Raffles Infrastructure Holdings Limited (the “**Company**”) and together with its subsidiaries, (the “**Group**”) would like to provide the following information in response to the queries from the Singapore Exchange Securities Trading Limited in respect of the announcements filed on (i) 19 February 2021 in relation to the Response to Queries on the second quarter half year results for the period ended 31 December 2020, (ii) 8 May 2020 in relation to the ‘Entry into Memorandum of Understanding’ with Army Welfare Trust of People’s Republic of Bangladesh and (iii) 30 November 2020 in relation to the Signing of Final Agreement – Trust Green City with Army Welfare Trust of People’s Republic of Bangladesh.

QUERY 1

In response to Query 2 in the Company’s 19 February 2021 announcement, the Company disclosed that it has receivables from related party transactions amounting to RMB 1.3 million for the current period. Please disclose the identities of the related parties, the underlying transaction which resulted in these debts and when will the receivables be paid to the Company.

RESPONSE: The receivables from related party transactions of amount RMB 1.3 million are all in the normal course of business transactions, which consists of:

- RMB 1.0 million - advanced to Raffles Financial Private Limited who has entered a JV partnership with the Company to become one of the shareholders in the new subsidiary; Raffles Infrastructure Capital Limited on 2 November 2020. The receivable amount is expected to be paid not later than 30 June 2021.
- RMB 0.3 million - due from Cupertino Power Ltd (“CPL”) who is one of the JV partners of Trust Green City project in Bangladesh. CPL has entered into a JV partnership with one of the subsidiaries of the Group to form a new subsidiary; Raffles Infrastructure Development Bangladesh Limited (“RIDB”) on 1 December 2020. The receivable amount is related to the share capital injection into RIDB and is expected to be paid not later than 30 June 2021.

QUERY 2

In response to Query 2 in the 19 February 2021 announcement, the Company disclosed trade receivables of RMB 3.4 million outstanding from “Business advisory service” which is due in Q3 and Q4 FY2021. Please explain why is the amount of RMB 3.4 million only due in Q3 and Q4 and not paid in advance when the Company disclosed that its consultancy contract is on a retainer basis (in response to Query 6) and other income of RMB 4.68 million had already been recorded as earned in the Q1 and Q2 FY 2021 Income statements.

RESPONSE: The deliverables to its Business Advisory Clients are carried out in phases. The revenue booked in Q2 FY2021 derives from retainer invoices issued under the Phase 1 billing. Retainer invoices billed are generally due only upon completion of specific tasks and payments will not be collected in advance. According to the operation’s plan and schedule, the remaining deliverables under Phase 1 are expected to be completed within Q3 and Q4 FY2021.

The Company likes to clarify that the other income of RMB4.68 million is related to the unwinding of discount in conjunction with the non-trade receivables from the PPP project in China and not from the business advisory business. The accounting treatment for the unwinding of discount has been consistently applied and disclosed in the quarterly results announcements.

QUERY 3

In response to Query 9 in the 19 February 2021 announcement, the Company was asked to provide details of the Army Welfare Trust (“AWT”) of the People's Republic of Bangladesh and the Trust's objective and its role and purpose in the Trust Green City Township Development project (the “Project”). The Company did not disclose this information in its response nor was it disclosed in its 8 May 2020 announcement titled ‘Entry into Memorandum of Understanding’ (the “8 May 2020 Announcement”). Please disclose (i) details of the AWT, (ii) the objective under which the AWT was set up, and (iii) AWT’s role and purpose in the Trust Green City Township Development which it is undertaking with the Company.

RESPONSE: Quoting Query 9 in the 19 February 2021 Announcement; **“Please provide details of the Army Welfare Trust (“AWT”) of the People's Republic of Bangladesh and the Trust's objective and its role and purpose in the Trust Green City Township Development project (the “Project”).”**, the Company referred its stakeholders to its 8 May 2020 Announcement for the following disclosures on the first page, now extracted below with key points highlighted in bold for ease of reference:

-Start of Extract-

Background

*The Company’s tender proposal for Trust Green City led by Bangladesh AWT has been selected and approved. The proposal includes designing, financing, construction, marketing, operation, and maintenance for Zone 2, 3 and 4 of Baunia, Dhaka. Trust Green City sits on approximately 50 acres of land, with a construction area of about 10.8 million square feet, designed to hold over 5000 dwelling units. The project value is estimated at USD 800 million. **This project is targeted to alleviate the severe housing shortage in Bangladesh, modernise the residential sector in Dhaka and to leverage on ‘smart’ technologies to improve the lives of the population. The Bangladesh AWT is the landowner of Trust Green City and has committed to assist and support in facilitating the development of this project.** The Bangladesh AWT had exclusively invited the Company to establish a MOU between both parties. The MOU has been signed on 07 May 2020.*

About Bangladesh Army Welfare Trust

Bangladesh AWT is a welfare trust owned and operated by the Bangladesh Army. The trust was established in June 1998. The trust was founded to look after the interests and welfare of retired military personnel. The assets under the trust include hotels, golf clubs, filling stations, banks, and shopping complexes. The commercial enterprise of Bangladesh Army is estimated to be valued over USD 3.5 Billions.

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QUERY 4

In response to Query 10 in the 19 February 2021 announcement, the Company did not provide the required information. Instead, it merely referred to the 8 May 2020 Announcement and its announcement on 30 November 2020 titled ‘Signing of Final Agreement – Trust Green City’ (the “30 November 2020 Announcement”) (collectively, the “Announcements”) in its response to Query 10.

RESPONSE: The Company wishes to clarify that it was not merely referring the stakeholders to those Announcements. Instead, the Company believes that it is essential for stakeholders to refer to those two announcements which contained all the important and relevant information the Company has in relation to the queries posted. Where there is lack of clarity, the Company hereby apologises for the inconvenience caused in the process.

(a) In relation to Query 10(a) and referring to the Announcements, it is not clear why the Project was referred to as ‘Green City Township’. Please elaborate what are the key features / aspects of the Project that led to it being referred to as the ‘Green City Township’.

RESPONSE: In Trust Green City as a whole, there are both residential and commercial zones, where a lot of greeneries like trees and plants in the town will be used, projecting a ‘Green’ façade. Additionally, several energy-saving technologies will be adopted, completing the ‘Green’ concept of this town.

(b) Please provide details of what more needs to be in place before the Commencement Date can be fixed as requested in Query 10(e) in the Company’s announcement of 19 February 2021.

RESPONSE: Presently, all the pre-commencement events stated in the 30 November 2020 Announcement are still in progress and must be in place before the Commencement Date can be fixed. For ease of reference, the events are extracted:

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- (a) Documents/papers showing that the Project Land has been mutated (transferred) in the name of AWT, and that land revenue payment receipts showing up-to-date payment of land revenue in the name of AWT;
- (b) Master Plan showing the Approach Roads connecting Project area;
- (c) Digital Survey Map of the Project Land demarcating distinctively the area of the Project and the concerned dag/plot numbers under which the Project Land is situated;
- (d) Physical demarcation of the Project Land;
- (e) Documents showing that necessary arrangements for adequate supply of water, power, gas and sewage connection from the municipal system up to the boundary of Zone 2, 3 & 4 has been made as per the requirement of the Project; and
- (f) Execute a power of attorney (“POA”) in favour of the Company within 60 days from the date of the Final Agreement for the purpose of undertaking various tasks in relation to the Project in accordance with the terms and conditions of the Final Agreement.

2.2.2 In respect of the Company, it shall, among other conditions, submit the following documents to AWT:

- (a) Certain corporate and incorporation papers relating to itself; licenses to be applied for and obtained from the relevant Bangladeshi authorities, in particular, the approval from the Bangladesh Investment Development Authority (“BIDA”)
- (b) Incorporation paper and relevant permits for the local Bangladeshi local company that will be incorporated for the purposes of the Project; and
- (c) Financing plans for the implementation of the Project, including agreements and contracts executed by the Company with its financing partners for accomplishing the Project; and also agreements and memorandums of understanding executed by the Company with its affiliated partners, such as contractors and architects.

2.3 In accordance with the terms of the Final Agreement, the Company is required to make payment to AWT amounting to a total of US\$13 million (“Signing Money”) which will be paid by the Company after it has received all required approvals of the BIDA and all relevant authorities.

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To add on, the Project Land will have to be handed over to the Company after the above pre-commencement works are completed for the Commencement Date to be set.

(c) We note from the 30 November 2020 Announcement that “the Company is engaged as the developer of the Project” and that “the Company’s main role will be one of active engagement of the Project”.

i. Please elaborate on the Company’s expertise in active management of the Trust Green City Project for the designing, financing, construction, marketing, operation and maintenance of the township development, in its role as the selected developer.

RESPONSE: The Company has been very focused on seizing opportunities particularly in hard infrastructure development and management projects in Asia since the business restructure in 2017. Despite Trust Green City being the Company’s first township development project, the Company is confident in performing this role as the developer with a team of key personnel that has rich experience in the infrastructure and development scene in Bangladesh as well as with the capability in putting all the best resources available together from the business network that the Company has managed to establish over the years with several related industry key players. The Company is spending a great deal of time ensuring that every department is well-covered by the respective experts. This is a new milestone for the Company and all its stakeholders, and the Company is looking forward to increasing the value of the Company’s shares and sharing its profits.

ii. Please explain the rationale for the Company’s entry into a memorandum of understanding with MCC Land (Singapore) Pte Ltd (“MCC Singapore”) for MCC Singapore’s participation in the Project as a possible project manager, given that the Company is also a project manager for the Project. Please also disclose the value of the risks and sharing of the contract value under this arrangement with MCC Singapore.

RESPONSE: MCC Singapore is a renown real estate developer and it would certainly be the Company’s privilege to have their participation in this mega township project. As mentioned, the Company is all out to ensure every department is well-covered. The Company and MCC Singapore, in fact along with all its other potential partners in this project, are at the preliminary stage in working out the details. The Company will update and disclose further as soon as there is a material development in relation to this arrangement.

iii. Please provide further information on the respective roles and scope of work of the Company and MCC Singapore in relation to the Project.

RESPONSE: The Company and MCC Singapore, in fact along with all its other potential partners in this project, are at the preliminary stage in working out the details. The Company will update and disclose further as soon as there is a material development in relation to this arrangement.

(d) We note that the 8 May 2020 Announcement stated that the value of the Project is estimated at US\$800 million while the 30 November 2020 Announcement stated that value of the Project is estimated to be about US\$1 billion. Please clarify what is the value of the Project and what is the size of the contract in relation to the Company's scope of work for the Project.

RESPONSE: The Company wishes to clarify that the value of the Project has been estimated to be about USD\$1 billion after some adjustment in architectural plans. When the architectural plans are finalized with all approvals obtained as well as the finalization of the entire partnership structure for this project, the Company will then be able to update and disclose the expected size of the contract in relation to the Company's scope of work.

(e) We note that the Announcements do not state the payment terms for the Project. Instead it disclosed that "In accordance with the terms of the Final Agreement, the Company is required to make payment to AWT amounting to a total of US\$13 million ("Signing Money") which will be paid by the Company after it has received all required approvals of the BIDA and all relevant authorities". Please disclose:

i. What is the purpose of the Signing Money and whether this is paid to an individual or to AWT? Please also disclose the identity of the recipient. How was the amount determined and the basis for arriving at the amount of US\$13 million?

RESPONSE: The Signing Money, when paid, shall be regarded as a non-refundable deposit, demonstrating a commitment from the Company to execute the project. These monies will eventually form the payment to AWT for the Company to take over the rights to the project land for the purpose of developing 'Trust Green City'. The Signing Money will be paid to AWT as disclosed on 30 November 2020. The amount of USD \$13 million was agreed by the Company based on an estimation of 1.3% of the project value of USD \$1 billion, being the cost for the land use rights.

ii. What are the payment terms for the Project in relation to the Company's work to be undertaken for the Project?

RESPONSE: All other payment terms with all relevant partners / parties have not been finalized at this preliminary stage and discussions are still on-going. The Company will disclose the related information once terms are set.

iii. Whether the US\$800 million or US\$1 billion contract value will be payable in cash in each of the 5 years to completion and whether the contract will have any material impact in the current and in the next financial year?

RESPONSE: The vendors' payments will be structured in a progressive manner and so will be the sale receipts. As the sales of the residential units will be marketed and sold under what we understand as 'Building Under Construction' scheme, this will help with the Project's cashflow. The Company is expecting the material impact to occur only in the next financial period and the Company will ensure that the details are disclosed accordingly.

iv. In addition to the US\$13 million Signing Money, whether any further payments must be made to AWT? Please provide details and quantify, if applicable.

RESPONSE: As per the Final Agreement dated 30 November 2020, no further payment will need to be made to AWT for the Company to take over the land use rights. All other payment terms with all relevant partners / parties have not been finalized at this preliminary stage and discussions are still on-going. The Company will disclose the related information once terms are set.

(f) The Company was asked to disclose the pre-commencement work to be undertaken and what more needs to be in place before the Commencement Date can be fixed in Query 10(e) in the 19 February 2021 announcement, and to disclose the expected timeline and key milestones, including the expected date of handover of Project Land by AWT and expected Commencement Date in query 10(f) in the 19 February 2021 announcement. The Company merely referred to its 8 May 2020 and 30 November 2020 announcements which did not disclose the requested information.

We note that paragraph 2.2 of the 30 November 2020 Announcement lists the conditions precedent that must be satisfied by AWT and the Company for the Final Agreement. Please clarify:

i. Whether these are the pre-commencement work to be undertaken before the Commencement Date can be fixed?

RESPONSE: Yes, the conditions precedent that must be satisfied by AWT and the Company for the Final Agreement refer to the pre-commencement work listed in the response to Query 4(b) above.

ii. What are the pre-commencement work that has already been undertaken, and what are the outstanding pre-commencement work that needs to be undertaken (and the respective timelines for completing these) before the Commencement Date can be fixed?

RESPONSE: Please refer to the response to Query 4(b) for the list of pre-commencement works that needs to be undertaken. All the pre-commencement works are in progress and are conducted simultaneously. The Company targets for a full completion within the next 12 months, noting uncertain restrictions globally from the Covid-19 pandemic.

QUERY 5

In response to Query 11 in the Company's 19 February 2021 announcement, the Company disclosed that "AWT is not a customer, they are the Company's partner in the development of this project. The amount is a deposit to our partner for the joint development of this project". Please disclose the following:

(a) If AWT is not a customer but the Company's partner, please clarify who will be paying the Company for work that it undertakes in the project? Please provide details of the identity of the customer and the beneficial owners.

RESPONSE: The customers / ultimate beneficial owners will be the residential property purchasers.

(b) Disclose the respective roles and responsibilities of the Company and AWT in this partnership. Who will be responsible for development risks and costs of construction of the project?

RESPONSE: AWT is the landowner and the Company is the master developer of the Trust Green City Project. AWT is responsible in (i) ensuring that the land is free of encumbrances, (ii) ensuring the land is construction ready, (iii) providing underground main sewage, water and gas pipes to designated areas. The Company is in-charge of the designing, financing, construction, marketing, operation and maintenance of the township development. The development risk and costs of the construction is borne by the Company.

(c) What is the total cost of the development project and how much of these costs will be borne by the Company and how much by AWT?

RESPONSE: The project development is valued at approximately USD \$1 billion and the cost of development is estimated to be approximately 80% of the total project value. All other terms with all relevant partners / parties have not been finalized at this preliminary stage and discussions are still on-going. The Company will disclose the related information once terms are set.

(d) How does the Company intend to finance the costs of the development of the project? Please provide details of the Company's source of financing and whether these have already been confirmed. If so, please provide details and elaborate on the impact of these on its gearing and profitability, where applicable.

RESPONSE: The Company intends to finance the Project through investment partners and bank loans. The details will be disclosed upon confirmation.

(e) What is the profit sharing ratio of the partnership in the project?

RESPONSE: The Company is still in the process of finalising the entire partnership structure, Terms with all relevant partners / parties have not been finalized at this preliminary stage and discussions are still on-going. The Company will disclose the related information once structure and terms are set.

(f) How would the Company's share of the partnership and the development be accounted for in the Company's (i) income statements; and (ii) statements of financial position upon commencement and progress of the development project.

RESPONSE: (i) Sales revenue is recognised when the controls over the residential units have been transferred to the customers based on the "Sales and Purchase Agreement" signed between the Company and the customers. Customers will be invoiced using a progressive payment schedule set. The cost of development, which includes land costs, construction costs and marketing & sales costs etc, is recognized as and when incurred, which might predate or follow the period in which the related amount of revenue is recognized. (ii) The Company's share will be reflected as land use rights, progressive receivables from the customers and payables to development costs in the Statement of Financial Position.

(g) Who will be the end users of the units in the development project?

RESPONSE: Current and retired military staff of the Bangladesh Army as well as the members of the public.

(h) Will there be any subsidies, incentives that will be attributable to the Company or its partner AWT for the development project? If so, please quantify.

RESPONSE: No, there is no subsidy and incentive.

FURTHER UPDATES

The Company wishes to reiterate that it is still in the process of finalizing several details including the entire partnership structure and that each time when it has reached to agreements or has any material developments in relation, the Company will disclose via SGX announcement.

The Board is in view that the Company has met its obligation in disclosing material information that has been finalised and verified and that no other disclosure should be made based on discussions. This is to ensure that no information disclosed is misleading. The Board wishes to advise shareholders and potential investors to exercise caution when trading in the Company's shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board
Eric Choo Han Kiat
Executive Director and Chief Executive Officer
01 March 2021